

Message Text

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ORIGIN OES-09

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FM SECSTATE WASHDC
TO AMEMBASSY MEXICO CITY IMMEDIATE
INFO AMEMBASSY VIENNA PRIORITY
AMEMBASSY BELGRADE PRIORITY

C O N F I D E N T I A L STATE 216651

USIAEA

E.O. 11652: GDS

TAGS: TECH, ENRG, MNUC

SUBJECT: EXPORTS OF LAGUNA VERDE FUEL

1. IN AUGUST 1977 GENERAL ELECTRIC (GE) APPLIED TO NRC
FOR A LICENSE TO EXPORT 377,600 KILOGRAMS OF LOW ENRICHED
URANIUM FOR THE INITIAL CORES AND FIVE RELOADS FOR LAGUNA
VERDE UNITS 1 AND 2. GE'S CONTRACT CALLS FOR DELIVERY OF
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81,000 KILOGRAMS IN FINISHED FUEL ELEMENTS BEFORE THE END
OF 1978. (FYI: IF DELIVERY DOES NOT TAKE PLACE THIS YEAR,
GE INFORMS US THAT THE MATERIAL WILL REQUIRE STORAGE IN
THE US AT A COST TO THE CUSTOMER OF ABOUT \$30-40,000 PER
MONTH. GE HAS ALSO INFORMED US THAT THESE REPRESENT REAL
COSTS TO GE FOR LEASED STORAGE SPACE IN THE US, THAT
MEXICAN CUSTOMER NATURALLY DISPLEASED WITH PROSPECT SINCE

HOLD UP ON DELIVERY NOT DUE TO THEM, AND THAT CUSTOMER MAY DISPUTE GE'S VIEW ON THIS CONTRACTUAL OBLIGATION. END FYI)

2. DEPARTMENT WISHES TO PROVIDE A FAVORABLE EXECUTIVE BRANCH RECOMMENDATION ON THIS EXPORT TO THE NRC TO ENABLE SHIPMENT BEFORE THE END OF THE YEAR. IN ORDER TO DO SO, HOWEVER, THERE ARE CERTAIN UNDERSTANDINGS WE NEED WITH

THE GOM AS DISCUSSED BELOW.

3. AS EMBASSY AWARE, THE NON-PROLIFERATION ACT SETS FORTH CERTAIN EXPORT CRITERIA WITH RESPECT TO THE APPLICATION OF IAEA SAFEGUARDS, NO-NUCLEAR-EXPLOSIVE PLEDGE, ADEQUATE PHYSICAL SECURITY, AND US RIGHTS OF APPROVAL FOR RETRANSFER AND REPROCESSING. IAEA SAFEGUARDS WILL, OF COURSE, APPLY TO THE PROPOSED EXPORTS AND A NO-EXPLOSIVE PLEDGE IS EMBODIED IN MEXICO'S ADHERENCE TO THE NPT. HOWEVER, THE US-IAEA AGREEMENT, WHICH COVERS SUPPLY THROUGH THE IAEA, DOES NOT PROVIDE US RIGHTS OF CONSENT FOR RETRANSFER OR REPROCESSING. WHILE LAW PROVIDES FOR POSSIBILITY OF EXEMPTION FROM THE RETRANSFER AND REPROCESSING CRITERIA FOR SUPPLY THROUGH THE IAEA, US POLICY IS TO SEEK THESE ASSURANCES PRIOR TO ANY MAJOR EXPORTS THROUGH IAEA AS IN CASE OF YUGOSLAVIA. ALSO, UNDER NRC REGULATIONS PUBLISHED PURSUANT TO THE LAW, WE NEED WRITTEN CONFIDENTIAL

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ASSURANCES THAT CERTAIN PHYSICAL SECURITY WILL BE MAINTAINED (REFERENCE STATE 190361 BEING REPEATED FOR EMBASSY INFORMATION).

4. AS EMBASSY ALSO AWARE, THE US HAS UNDERTAKEN TO SUPPLY POWER REACTORS AND RELATED FUEL THROUGH THE IAEA ONLY FOR THE LAGUNA VERDE PLANTS (SUPPLIED BY GE) AND THE KRSKO PLANT IN YUGOSLAVIA (SUPPLIED BY WESTINGHOUSE). IN THE YUGOSLAVIA MATTER, UNDERSTANDINGS REGARDING RETRANSFER OF EQUIPMENT WERE REACHED PRIOR TO EXPORT OF REACTOR IN 1977; UNDERSTANDINGS REGARDING RETRANSFER AND REPROCESSING OF MATERIAL, TO MEET STATUTORY EXPORT CRITERIA, WERE CONCLUDED ON JULY 27, 1978 BY AN EXCHANGE OF NOTES (LETTER FROM GOY TO SECSTATE AND IAEA AND SECSTATE REPLY/BELGRADE 5532 AND STATE 288268 ALSO BEING REPEATED FOR EMBASSY INFORMATION); AND EXECUTIVE BRANCH HAS RECENTLY FORWARDED FAVORABLE RECOMMENDATION ON KRSKO INITIAL CORE AND FIRST RELOAD TO THE NRC.

5. WHILE WE ARE FLEXIBLE AS TO HOW SUCH UNDERSTANDINGS ARE OBTAINED, RECOGNIZING GOM SENSITIVITY TO BILATERAL RATHER THAN MULTILATERAL APPROACH, WE BELIEVE IT IMPORTANT

TO BEGIN DISCUSSIONS WITH GOM AS SOON AS POSSIBLE ON THIS MATTER. ACCORDINGLY, WE BELIEVE BEST APPROACH IS FOR NUCLEAR TEAM TO MEET WITH APPROPRIATE GOM AUTHORITIES AT EARLIEST POSSIBLE DATE AND BEFORE VISIT OF PHYSICAL SECURITY REVIEW TEAM. NEGOTIATING TEAM PREPARED TO MEET AT MUTUALLY CONVENIENT TIME AT ANY PLACE DESIRED BY GOM, INCLUDING MEXICO CITY, WASHINGTON OR VIENNA AS GOM MAY WISH. WE WOULD BE ABLE TO HOLD DISCUSSIONS IN VIENNA DURING IAEA GENERAL CONFERENCE (SEPTEMBER 13-23) IF GOM DESIRED THIS.

6. IAEA PHYSICAL SECURITY TEAM VISIT WILL STILL TAKE PLACE AS SCHEDULED SINCE THIS IS SEPARATE FROM AND NOTE OBTAINED BY NEGOTIATING TEAM PURPOSE. (FYI: WHILE WE CONFIDENTIAL

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WOULD WISH TO INCORPORATE WRITTEN ASSURANCES ON PHYSICAL SECURITY, PER PARA 3 ABOVE, IN ANY ARRANGEMENTS DESIGNED TO MEET OUR EXPORT CRITERIA, THE PURPOSE OF PHYSICAL SECURITY REVIEW IS TO FURTHER COOPERATIVE EXCHANGES IN THIS AREA GENERALLY AND TO PROVIDE US KNOWLEDGE OF THE MEXICAN PROGRAM. END FYI)

7. ACTION REQUESTED: THAT EMBASSY PROMPTLY APPROACH GOM (SRE, PRESUMABLY GONZALEZ GALVEZ) TO ARRANGE FOR NUCLEAR DISCUSSIONS, DRAWING ON INFORMATION PARAS 1, 2, 3, 5 AND 6 AS APPROPRIATE. EMBASSY SHOULD NOT, HOWEVER, ENGAGE IN DISCUSSION OF SPECIFIC CRITERIA PER PARA 3 OR WHAT WE WILL BE SEEKING IN TERMS OF ASSURANCES ON RETRANSFER, REPROCESSING, AND PHYSICAL SECURITY, BUT RATHER STATE GENERAL PURPOSE OF EARLY MEETING IS TO DISCUSS U.S. EXPORT CRITERIA UNDER NEW LAW AND TO WORK OUT WAY OF MEETING THEM SO THAT WE CAN MOVE PROMPTLY ON PENDING EXPORTS. EMBASSY SHOULD ALSO NOT RAISE SUBJECT OF EXEMPTION PROVISION IN THE LAW FOR RETRANSFER AND REPROCESSING CRITERIA, NOTED IN PARA 3, BUT, IF ASKED ABOUT IT, REPLY THAT US POLICY IS TO SEEK SUCH ASSURANCES PRIOR TO EXPORTS THROUGH THE IAEA. CHRISTOPHER

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